

Opening Statement Congresswoman Melissa Hart
April 8, 2003
Hearing on H.R. 1474, the "Check Clearing for the 21st Century Act"

Thank you Chairman Bachus and Chairman Oxley for your leadership and foresight and for holding today's hearing on this important legislation to modernize our nation's check processing system. I also want to thank Congressman Ford and Congressman Ferguson for joining me in introducing H.R. 1474, the "Check Clearing for the 21st Century Act" or our truncated name "Check 21". Finally, I want to thank the many members of this committee who have already joined as co-sponsors of this important legislation.

The Federal Reserve estimates that over 40 billion checks are written annually, resulting in \$39.3 trillion in payments. Today a check is processed numerous times before it is eventually paid. Each step of this process relies on the physical transportation of the check – resulting in billions of checks being driven or flown across the country every day. But, under current law, unless a bank has an agreement with another bank to receive payment by electronic means, the banks must physically present and return the original checks to receive payment. Today there are over fifteen thousand banks, thrifts and credit unions -- negotiating separate agreements with each of these institutions would be an impossible task for even the most diligent financial institution. I can only imagine the cost to consumers of this cumbersome and anachronistic process.

Building upon the Federal Reserve's check truncation proposal and legislation introduced in the last Congress, H.R. 1474 will end the requirement to physically move paper checks by removing existing legal barriers that prevent the banking industry from incorporating advances in technology, such as digital imaging, to improve check processing efficiency and to provide improved services to customers.

This legislation allows banks to technologically progress into the 21st century, as well as benefit consumers in many ways. Financial institutions may have the ability to provide new and improved services to their customers – such as later deposit cutoff hours, expanded access to enhanced account information and check images through the Internet, and the ability to resolve customer inquiries more easily and quickly by reviewing check images. In addition to these, consumers will benefit from a new expedited right of re-credit for amounts up to \$2,500. Most importantly, banks will be better able to stop and detect fraud early in the check process – another great benefit for the customer.

I thank the witnesses for their testimony this morning and look forward to hearing your suggestions on ways we can build upon or improve the bill.